

Agenda Date: August 30, 2006
Item Number: **A3**

Docket: UT-061203

Company Name: CenturyTel of Washington, Inc., d/b/a CenturyTel

Staff: Paula Strain, Telecommunications Expert
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Recommendation

Take no action, thereby allowing the proposed tariff revision to enter into effect by operation of law on September 1, 2006.

Background

On May 2, 2006, CenturyTel of Washington, Inc., (CenturyTel) filed a proposed new Tariff WN U-7 in Docket UT-060705 that would apply to special access¹ (also known as private line) rates for customers transitioned over to CenturyTel because of Qwest's withdrawal as designated carrier for CenturyTel. The rates proposed were 10% more than Qwest's rates, but appreciably lower than the special access rates in CenturyTel's access tariff WN U-4. On June 21, 2006, CenturyTel withdrew Docket UT-060705 due to discussion at the Commission's June 14, 2006, Open Meeting and concerns about the filing causing undue discrimination with CenturyTel's other customers. The Commission approved Qwest's petition to cease providing special access service in the CenturyTel exchanges in Docket 060723 at its June 28, 2006, Open Meeting.

On July 21, 2006, CenturyTel filed a new special access proposal in Docket UT-061203 (this case) which is a tariff revision to CenturyTel's previously existing access tariff, WN U-4. CenturyTel proposes to reduce its special access rates by about \$575,000 annually. The effective date of this tariff revision coincides with CenturyTel's assumption of designated carrier responsibilities for special access services from Qwest, which the companies plan to implement on September 1, 2006.

On August 23, 2006, CenturyTel filed substitute tariff sheets to leave some rates, which appear to be below the 2002 long-run incremental cost, unchanged in this filing². It also further reduced some rates for DS-1 and other digital data services to be closer to long-run incremental cost. The overall revenue reduction remains at about \$575,000 annually.

¹ The rates being revised are called "special access" rates in the tariff, but are called "private line" rates in the customer notice. For purposes of this memo, the two terms are synonymous.

² RCW (80.04.130(2)(a)(i) requires that a decreased rate must cover long-run incremental cost.

Discussion

CenturyTel's filing is triggered by the withdrawal of Qwest as the designated carrier for private line services. It is the last of the Washington ILECs to assume the designated carrier role for these services from Qwest.

The proposed tariff revision applies to all customers buying private line services in CenturyTel's WN U-4 tariff. Thus, it does not present a rate discrimination issue.

According to price lists and other information provided by CenturyTel, there are companies providing broadband and other special access services in many of CenturyTel's exchanges, however, CenturyTel's private line rates are not classified as competitive, accordingly, staff has reviewed these rates as monopoly services.

The rates in this tariff were reviewed in 2002 in Dockets UT-021646 and UT-030038 in the context of a rate center consolidation case. At that time, CenturyTel rebalanced its special access rates to bring the rates for its three groups of exchanges closer together. This proposed revision continues that process, and brings special access rates closer to incremental cost, based on the cost support CenturyTel provided. The rates being revised are those that exceeded the Company's TELRIC costs by the largest margin. They are being reduced by about 42% from their current levels.

Several of the rates, notably those for digital and high-capacity services, are much higher than the rates CenturyTel charges in its interstate special access tariff, which are based on fully-allocated historical costs and were recently updated to remove DSL-related costs.³ Attachment 1 is a comparison for a typical DS-1 customer of CenturyTel's rates and other LECs' rates. The proposed CenturyTel rates are higher than those charged by Qwest; they are lower than NECA rates, and lower than some other LECs' rates. In addition, the rates proposed today are moving closer to cost, and the Company has committed to pursue further rate rebalancing efforts in the relatively near future.

CenturyTel's proposal is a rate decrease and does not contain any offsetting increases to rates. Under RCW 80.04.130(2)(a), it cannot be suspended. The Commission's options are to set the matter for hearing, after which it may prescribe a different rate on a prospective basis; to complain against the rates; or to allow the proposed rate decreases to go into effect. Staff believes the public interest is best served by allowing the proposed rates to go into effect now, and to pursue further rebalancing efforts with CenturyTel.

³ Annual Rate of Return Access Filing of Telephone Utilities Exchange Carrier Association, FCC Transmittal No. 190, June 16, 2006. CenturyTel's interstate special access rates are based on fully allocated costs determined through Part 32 accounting rules and Part 36 jurisdictional separations rules.

As stated above, CenturyTel's proposal results in an estimated annual revenue reduction of \$575,000, which is comparable to the revenue reductions absorbed by the WITA companies when they revised their tariffs to adopt the NECA special access rates.

Rate Impacts and Customer Notice

Customers who previously received a single bill at Qwest rates from Qwest for their service will see their overall bills increase once they are billed at CenturyTel's rates for the CenturyTel portion of their private line circuits. CenturyTel has sent these customers the attached notice (Attachment 2). It will send the updated price sheet to these customers upon implementation.

CenturyTel customers whose entire circuits were billed at the WN U-4 special access rates will see either no change or a decrease in their rates, and CenturyTel intends to notice these customers via a bill message after the new rates are effective.

Customer Comments

The Commission has not received any written comments either favoring or opposing this proposed tariff filing.

Conclusion

Staff therefore recommends that the commission take no action at this meeting, thereby allowing the proposed rates as filed August 23, 2006 to enter into effect by operation of law on September 1, 2006.

Attachment 1 – DS-1 Rate Comparison

Attachment 2 – Customer Notice to customers formerly billed by Qwest